

# The Federal Farm Loan Act

Synopsis of Its Salient Features Prepared by H. M. Hanson, Secretary-Treasurer Farm Mortgage Bankers' Association of America

## FEDERAL FARM LOAN ACT

Passed by the House of Representatives and the United States Senate June 27 and 28, 1916, respectively.

Signed by the President July 17, 1916.

3.—Provides for a federal land bank system in the continental United States (exclusive of Alaska), dividing the country into twelve land bank districts composed of whole states.

3.—The system is operated as a bureau of the United States treasury department and supervised by the federal farm loan board. The secretary of the treasury is ex-officio chairman of the board with four other members appointed by the president for eight years at an annual salary of \$10,000. One member is designated farm loan commissioner and is the active executive officer.

3.—Appointees of Board: (a) Farm loan registrar for each land bank district and

(b) One or more land appraisers for each land bank district. Salaries paid by federal land bank or joint stock land bank for which they act.

(c) Land bank examiners; salaries paid by the United States.

(d) Attorneys, experts, assistants and other employees to be paid by the United States.

17.—Powers of the Board: (a) To organize and charter federal land banks, joint stock land banks and national farm loan associations.

(b) To review and alter the rate of interest to be charged by federal land banks for loans.

(c) To approve or reject any or all loans for bond issue and to grant or refuse any specific issue of farm loan bonds of federal land banks and joint stock land banks.

(d) To regulate charges for appraisal, examining titles and recording.

(e) To appraise land securing mortgages for bond issue.

(f) To exercise general supervisory authority over the federal land banks, farm loan associations and joint stock land banks.

30.—The farm loan commissioner shall examine the laws of every state and if on examination the laws of any state are shown to afford insufficient protection to holders, its mortgages shall be declared ineligible under this act during the continuance of the laws in question.

32.—The secretary of the treasury is authorized to deposit United States funds in federal land banks at current government rates of interest, the aggregate of such funds not to exceed \$6,000,000 at any one time.

## FEDERAL FARM LOAN BANKS

### ORGANIZATION.

Section 4.—One in each land bank district. Branches permitted within its district. Officers: President, vice president, secretary and treasurer; directors; six representatives of farm loan associations and three representing the public interest. Attorneys, assistants, experts and other employees. All salaries fixed by farm loan board and paid by bank. Subject to semiannual examinations by land bank examiner.

### CAPITAL STOCK.

Sec. 5.—\$750,000. May be owned by individuals, firms, corporations and the United States and state governments.

Sec. 5.—Shares, \$5 each.

Sec. 5.—All stock remaining unsubscribed 30 days after subscription books are opened shall be subscribed by the United States and thereafter only the United States government and borrowers may acquire shares of stock.

Sec. 5.—United States government not to participate in dividends. All other stockholders share dividends equally.

Sec. 5.—The original capital stock shall be gradually retired after the stock held by farm loan associations shall amount to \$750,000.

Sec. 5.—Not less than 5 per cent of capital shall be invested in United States government bonds.

### POWERS.

Sec. 13.—To buy first farm mortgages within its district and to issue and sell farm loan bonds.

Sec. 13.—To receive from farm loan associations interest and amortization payments on mortgages and farm loan bonds.

Sec. 13.—To acquire and dispose of real and personal property necessary for the convenient transaction of business; and land taken in satisfaction of debts or purchased under judgments, decrees or mortgages held by it. Shall not hold title exceeding five years.

Sec. 13.—To accept deposits of securities or current funds from member associations but pay no interest thereon.

Sec. 13.—To borrow money on security and pay interest thereon.

Sec. 13.—To buy and sell United States bonds.

Sec. 13.—To appraise lands for bond issue and to charge applicants and borrowers the cost of land appraisal, examining titles, recording and other legal fees, said fees to be paid in cash

or be made part of loan and paid in amortization payments.

Sec. 14.—To accept mortgages only from farm loan associations and approved agents.

Sec. 14.—To accept deposits of current funds only from its stockholders.

Sec. 6.—To become financial agents of United States government and depository of public money. Public deposits cannot be invested in mortgages or farm loan bonds.

Sec. 13.—To deposit its securities and current funds subject to check with any member bank of the federal reserve system and to receive interest thereon.

### BONDS.

Sec. 20.—Issued in series of \$50,000 or more, in denominations of \$25, \$50, \$100, \$500 and \$1,000.

Sec. 20.—May bear a maximum rate of 5 per cent interest per annum.

Sec. 19.—Mortgages and United States government bonds equal in amount to the farm loan bonds issued are retained as collateral security by the land bank registrar.

Sec. 14.—The outstanding farm loan bonds shall not exceed 20 times the capital and surplus.

Sec. 21.—Shall be guaranteed by bank of issue and all other federal land banks.

Sec. 17.—No issue is authorized without the approval of the farm loan board.

Sec. 22.—Substitution of mortgages and United States government bonds held as collateral to farm loan bonds is permitted.

### TAXATION.

Sec. 26.—The capital stock, surplus, mortgages and farm loan bonds and all income derived therefrom are exempt from federal, state, municipal and local taxation.

Sec. 26.—Real property taken and held under the provisions of sections 11 and 13 is not tax exempt.

### AGENTS.

Sec. 15.—Incorporated banks, trust companies, mortgage companies or chartered savings institutions may act as agents for federal land banks if no farm loan association has been formed in a given locality after one year.

Sec. 15.—Borrowers securing loans through agents are required to subscribe 5 per cent of the loan to the capital of the federal land bank.

Sec. 15.—Agents are entitled to a commission of one-half of 1 per cent per annum on unpaid principal of each loan they negotiate and the bank shall pay agent for actual expenses for appraising land, examining titles, executing and recording the mortgage papers which shall be added to the face of the loan.

Sec. 15.—Agents shall indorse and become liable for the payment of the loans they negotiate and the aggregate unpaid principal of such loans shall not exceed ten times the agent's capital and surplus.

Sec. 15.—Agents are required to make good any default within 30 days after notice.

Sec. 15.—All collections made shall be remitted without charge.

### SPECIAL PROVISIONS.

Sec. 22.—Amortization and other payments constitute a trust fund to be invested as follows:

(a) To pay off maturing farm loan bonds.

(b) To purchase farm loan bonds.

(c) To lend on first farm mortgages within the district.

(d) To buy United States government bonds.

Sec. 23.—Reserve and dividends: No limit is placed on dividend distributions after a reserve account has been built up from earnings equal to 20 per cent of the capital stock and after 5 per cent of the net earnings annually thereafter are added to the reserve account.

Sec. 23.—Reserve funds to be invested as prescribed by the federal farm loan board.

Sec. 27.—Farm loan bonds are lawful investments for fiduciary and trust funds and security for all public deposits.

Sec. 27.—Federal reserve bank may buy and sell farm loan bonds.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

## NATIONAL FARM LOAN ASSOCIATIONS

### ORGANIZATION.

Section 7.—Ten farm owners desiring loans aggregating \$20,000 or more may form such an association.

Sec. 7.—Its affairs are administered by five directors, including president, vice president and a loan committee of three serving without compensation, and by a secretary treasurer with salary fixed by the farm loan board and paid by the association.

### CAPITAL STOCK.

Sec. 8.—Shares, \$5 each; (9) carrying double liability; (8) may be owned only by borrowers who are required to subscribe 5 per cent of their loan in

the capital stock of the association which in turn subscribes an equal amount of stock in the federal land bank.

Sec. 8.—Shares are paid for in cash or (9) the amount may be added to the face of the loan and retired in amortization payments at par. In such case the face of the loan shall not exceed the 50 per cent and 20 per cent limitation.

Sec. 7.—Assessment on shares may be levied for operating expenses if funds are not otherwise available.

### POWERS.

Sec. 10.—To appraise land for mortgage through its loan committee of three.

Sec. 11.—To indorse and become liable for the mortgages of its shareholders.

Sec. 11.—To receive and deliver the proceeds of loans to borrowers.

Sec. 11.—To acquire and dispose of property necessary for the convenient transaction of its business.

Sec. 11.—To issue certificates of deposit for not longer than one year and to pay 4 per cent interest thereon, convertible into farm loan bonds at the federal land bank of its district.

Sec. 7.—To receive and transmit to the federal land bank payments of interest and principal and amortization payments.

### LOANS.

Sec. 12.—Loans shall be secured by first mortgages on land within its land bank district.

Section 12.—To run from 5 to 40 years with amortization and with additional optional prepayments after five years.

Sec. 12.—Interest on loans shall not exceed 6 per cent per annum on the unpaid principal.

Sec. 12.—Borrowers shall pay 8 per cent simple interest on defaulted payments.

Sec. 12.—Loans may be made for the following purposes and for no other under penalty:

(a) To purchase land for agricultural purposes.

(b) To purchase equipment, fertilizer and live stock for the operation of the mortgaged farm.

(c) To provide buildings and for the improvement of farm lands.

(d) To pay debts existing at time of organization of the first national farm loan association within the county.

Sec. 12.—Maximum loan \$10,000; minimum loan \$100.

Sec. 12.—No loan shall exceed 50 per cent of the value of the land mortgaged and 20 per cent of the permanent insured improvements.

Sec. 12.—No loans shall be made to any person who is not at the time or shortly to become engaged in the cultivation of the farm mortgaged.

Note.—All applications for loans originate with the national farm loan associations or agents and all loans are made and closed by the federal land banks. This does not apply to joint stock land banks.

### TAXATION.

Sec. 26.—Same as applies to federal land banks.

### SPECIAL PROVISIONS.

Sec. 9.—Associations may retain as commission one-eighth of 1 per cent semiannually from interest payments on the unpaid principal of loans.

Sec. 9.—Associations may borrow from federal land banks at 6 per cent annual interest up to one-fourth of its total stockholdings in said bank.

Sec. 24.—Reserves and dividends: No limit is placed on dividend distributions after the reserve account, built up from net earnings equals 20 per cent of the capital stock and after 2 per cent of the net earnings annually thereafter are added to the reserve account.

Sec. 25.—Defaults must be made good within 30 days after notice.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

## JOINT STOCK LAND BANKS

### ORGANIZATION.

Section 16.—A private corporation subject to the requirements under this act which may be formed by ten or more persons with a board of directors of five or more.

Sec. 16.—May operate within the state in which its principal office is located and within some one contiguous state.

Sec. 28.—Subject to semiannual examinations by the federal land bank examiner.

### CAPITAL STOCK.

Sec. 16.—\$250,000 minimum.

Sec. 16.—Double liability of shareholders.

Sec. 16.—The United States government shall own none of the shares of stock.

Sec. 16.—No farm loan bonds can be issued until the capital stock is fully paid, although the bank may begin business when one-half of the capital is subscribed and paid in cash.

### POWERS.

Sec. 16.—To lend money on farm mortgage security.

Sec. 16.—To issue and sell farm loan bonds.

Sec. 16.—To issue farm loan bonds up to 15 times the amount of its capital and surplus.

Sec. 16.—Except as otherwise provided it has the powers of and is subject to the restrictions imposed on federal land banks.

### PRIVILEGES.

Sec. 16.—May lend more than \$10,000 to any one borrower, but not beyond 50 per cent of the value of the land and 20 per cent of the permanent insured improvements.

Sec. 16.—Loans are not restricted to

the purposes prescribed for national farm loan associations.

Sec. 16.—Loans may be made to farm owners regardless of whether engaged in cultivation of the land mortgaged or not.

Sec. 16.—Interest on loans shall not exceed more than 1 per cent, the interest rate established for its last series of bonds, nor more than 6 per cent in any case.

Sec. 16.—Commissions or other charges not specifically authorized by this act shall not be demanded or received.

### BONDS.

Sec. 20.—Issued in series of \$50,000 or more, in denominations of \$25, \$50, \$100, \$500 and \$1,000.

Sec. 20.—May bear maximum rate of 5 per cent interest per annum.

Sec. 16.—Bonds shall be so engraved as to be readily distinguishable from federal land bank bonds.

Sec. 19.—Mortgages and United States government bonds equal in amount to the farm loan bonds issued are retained as collateral security by the land bank registrar.

Sec. 17.—No issue is authorized without the approval of the farm loan board.

Sec. 27.—Federal reserve banks are authorized to buy and sell the bonds of joint stock land banks.

Sec. 22.—Substitution of mortgages and United States government bonds held as collateral to farm loan bonds is permitted.

Sec. 27.—Its bonds are lawful investments for fiduciary and trust funds and security for all public deposits.

### TAXATION.

Sec. 26.—The capital stock, surplus and earnings are subject to the taxing powers of the state.

Sec. 26.—Its mortgages executed under this act and its farm loan bonds and all income derived therefrom are exempt from federal, state and municipal and local taxation.

Sec. 26.—Real property taken and held under the provisions of sections 11 and 13 is not tax exempt.

### SPECIAL PROVISIONS.

Sec. 6.—Joint stock land banks are made public depositories and financial agents of the United States government.

Sec. 6.—Public deposits cannot be invested in farm mortgages or in farm loan bonds.

Sec. 16.—Rates of interest for loans under 6 per cent are not subject to review or alteration by the farm loan board.

Sec. 13.—Shall receive no deposits except public deposits.

Sec. 22.—Amortization and other payments constitute a trust fund to be invested as follows:

(a) To pay off its maturing farm loan bonds.

(b) To purchase farm loan bonds.

(c) To lend on first mortgages within its prescribed field.

(d) To purchase United States government bonds.

Sec. 23.—Reserve and dividends provided for as in the case of federal land banks.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

## THIS DEALER HAD REAL TACT

Stout and Thin Customers Use Special Mirrors in Wearing Apparel Establishment.

A dealer in wearing apparel, noticing that his stout customers and his very thin customers often were sensitive as to their figures, installed two full length mirrors of special design, says Popular Mechanics magazine. One was slightly concave and the other slightly convex. When a stout customer tried on a suit he was led to the concave mirror for self-inspection, and was able to see his figure as it would appear with its measurements reduced. When a thin person came in to try on clothes she was taken to the convex mirror, where the opposite effect was produced.

### Only Moistened His Lips.

Omer Scudder, a Columbus real estate and insurance agent, told some of the other business men who have offices in the Bassett building that he was hot. They agreed that they were just as hot as he was.

"I can eat all the ice cream you fellows are willing to buy," Scudder declared.

The others made up 60 cents and sent out for a half gallon of cream. They had a notion that Scudder would eat about a quart after which they would divide the remaining quart among themselves. Scudder surrounded the entire half gallon of ice cream, smacked his lips and asked them whether they were not going to get him enough ice cream for a real taste. The business men looked at each other, smiled sickly and returned to their places of business. — Indianapolis News.

### The Three Philosophers.

For the first time in their lives three genuine, simon-pure philosophers went out riding in a motor car. After they had ridden about twenty miles out in the country the car broke down. Said the first philosopher: "I have long wanted to study certain aspects of nature, and this affords me the particular prospect I most admire." Said the second philosopher: "I observe there is a farmhouse over there where food can doubtless be obtained in sufficient quantities." Said the third philosopher: "I have long wanted to be in a situation where, without moving, sustenance would be brought to me by one friend, while the other discussed on the beauties of nature." — Life.

## BELIEVE PLAN WILL CARRY ENTIRE STATE

THE LEAD FOR A CONSTITUTIONAL CONVENTION IS MAINTAINED.

## VOTE ABOUT HALF COUNTED

Majority of Over Twelve Thousand, It Is Believed, Will Not Be Overcome When All Votes in the State Are Counted.

—Nashville.

With reports from over half of the counties in the state in, indications are that the vote of last week on holding a constitutional convention is in favor of the proposition. Fifty-six of the counties, including the four big ones, give a majority in favor of the convention of 12,144.

In addition, it is reported that the following counties voted favorably on the proposition: Blount, Bradley, Cumberland, Decatur, Jefferson and Macon.

In view of the light vote prevailing as a general rule, it is improbable that the lead of 12,000 in favor of the constitutional convention can be wiped out.

Thetus W. Sims has defeated Dudley Porter for congress in the Eighth district, according to returns received. With all counties heard from, several incomplete, a majority of 700 is indicated. Sims' managers claim the congressman is returned by at least 1,500 votes. Porter's loss of Madison county and decreased votes over predictions elsewhere make his defeat nearly certain. His home county, Henry, gave him a handsome majority.

Congressman Thetus W. Sims has been nominated for the eleventh time, thus insuring him twenty-two years of service, according to returns in the Democratic congressional primary compiled thus far.

County	Sims	Porter
Henry	1,194	2,032
Benton	378	437
Carroll	415	...
Decatur	1,100	...
Hardin	233	151
Chester	402	133
Madison	944	607
Henderson	345	...
McNairy	619	455
Totals	4,518	3,348
	* Sims' lead, 700.	

Finis J. Garrett has been re-elected congressman from the Ninth congressional district over Judge J. D. Senter by over 3,000 majority, according to reports from counties in the district. Garrett carried every county in the district except Crockett, which Judge Senter carried by less than 100 votes. Gibson, Senter's home county, did not roll up the majority for her native son that was anticipated.

County	Garrett	Senter
Lake	137	66
Oblion	1,100	...
Weakley	2,053	...
Dyer	795	758
Gibson	1,652	1,733
Crockett	509	631
Lauderdale	1,299	859
Haywood	853	734
Totals	8,700	4,901
	* Majority.	
Garrett's lead	3,799	

Besides the county officers elected last week, two chancellors, three circuit judges, two criminal court judges and four attorneys-general were elected. Hon. James B. Newman of Nashville was chosen chancellor in part 2 of Davidson, while F. H. Mercer of McMinnville was elected chancellor in the Twelfth division, also in Middle Tennessee.

John B. Holloway of Morristown, who was assistant attorney-general of the Second circuit district in East Tennessee, was elected judge of the district. Frank L. Lynch of Winchester was elected judge of the Eighteenth circuit district, while Ben L. Capell was elected judge of the Second circuit court of Shelby county.

At the election the following were elected to judicial positions:

James B. Newman, chancellor, Nashville, part 2, Davidson county, Seventh division.

F. H. Mercer, chancellor, McMinnville, Twelfth division.

Circuit Court Judges—John B. Holloway, Morristown, Second district; Frank L. Lynch, Winchester, Eighteenth district; Ben L. Capell, Memphis, Second division, Shelby county circuit.

Criminal Court Judges—David B. Puryear, First division, Shelby criminal court, Memphis; Thos. W. Harsh, Memphis, Second division, Shelby criminal court.

Attorneys-General—Thirteenth district, M. Hillsman Taylor, Trenton; Fourteenth district, T. O. Morris, Union City; Sixteenth district, Nat A. Tipton, Covington; Eighteenth district, Ben G. McKenzie, Dayton.

Of the congressional primaries the result in the Fifth district, in which William C. Houston, George L. Delmer and Ewin L. Davis were the opponents, is still regarded as uncertain.